

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Wolverine Joint Fire Board	County Cheboygan
Audit Date 3/31/04	Opinion Date 4/26/04	Date Accountant Report Submitted to State: 6/15/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name)

Keskine, Cook, Miller, Smith & Alexander LLP

Street Address

100 West First Street

City

Gaylord

State

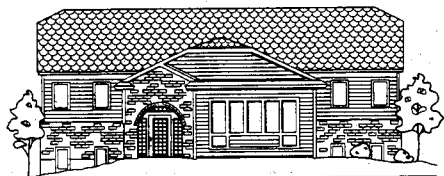
MI

ZIP

49735

Accountant Signature

Rachel Trisch



Keskin, Cook, Miller, Smith & Alexander LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

April 26, 2004

To the Members of the Board
Wolverine Joint Fire Board

During the course of our audit of the financial statements of the Wolverine Joint Fire Board for the year ended March 31, 2004, we noted the following issue:

1. The Fire Board experienced overexpenditures for the year in the amount of \$137,704. The overexpenditures occurred as a result of not properly budgeting the capital outlay expenditure of the purchase of a new fire truck.

We have discussed budgeting requirements with the appropriate officials.

We thank you for the opportunity to be of service to the Wolverine Joint Fire Board and hope that you find this comment and recommendation useful.

Keskin Cook Miller Smith & Alexander, LLP
Keskin, Cook, Miller, Smith & Alexander, LLP

WOLVERINE JOINT FIRE BOARD
ELLIS/MENTOR/NUNDA & WILMOT TOWNSHIPS
CHEBOYGAN COUNTY, MICHIGAN

AUDITED FINANCIAL STATEMENTS

MARCH 31, 2004

WOLVERINE JOINT FIRE BOARD

CHAIRMAN

Tom Gary

VICE CHAIRMAN

Robert Kotar

SECRETARY

Patty Mattson

TREASURER

Kathy Mattson

MEMBER

Patricia Ogden

MEMBER

Patricia Hutchison

MEMBER

Gloria Pierson

MEMBER

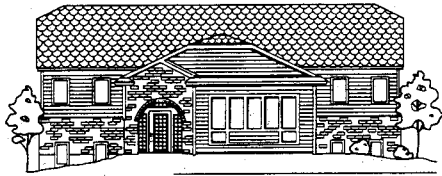
Carl Edgmon

MEMBER

Lorraine Grubaugh

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-5
<u>GOVERNMENT-WIDE FINANCIAL STATEMENTS</u>	
STATEMENT OF NET ASSETS	6
STATEMENT OF ACTIVITIES	7
<u>GOVERNMENTAL FUND FINANCIAL STATEMENTS</u>	
BALANCE SHEET	8
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS	9
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE	10
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES	11
NOTES TO FINANCIAL STATEMENTS	12 - 19
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL	20



Keskin, Cook, Miller, Smith & Alexander LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

April 26, 2004

Members of the Board
Wolverine Joint Fire Board

We have audited the accompanying financial statements of the governmental activities and the major fund information of the Wolverine Joint Fire Board, Cheboygan County, Michigan as of and for the year ended March 31, 2004, which collectively comprise the Fire Board's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Fire Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and the major fund information of the Wolverine Fire Board, Cheboygan County, Michigan as of March 31, 2004, and the respective changes in financial position, thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note B, the Fire Board has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments", as of March 31, 2004.

The management's discussion and analysis on pages 3-5 and budgetary comparison information on page 20 respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Keskin Cook Miller Smith & Alexander, LLP
Keskin, Cook, Miller, Smith & Alexander, LLP
Certified Public Accountants

WFD

Wolverine Joint Fire Board
P O Box 362 ~ Wolverine MI 49799

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Wolverine Joint FireBoard annual financial report presents our discussion and analysis of the FireBoard's financial performance during the fiscal year ended March 31, 2004. Please read it in conjunction with the financial statements that immediately follow this section.

Financial Highlights

Our financial status improved over the last year. Assets increased by approximately \$116,000. Total assets are now \$280,000 of which \$249,000 represents capital assets.

Overall revenues were \$78,538 and overall expenses were \$58,204 in the statement of activities.

We incurred \$124,500 of debt for a new fire truck during the year. We also received the final portion of FEMA grant monies to purchase a portable cascade system and new air packs. We have been replacing turnout gear each year, this year approximately \$600.

Overview of the Financial Statements

This annual report consists of three parts; management discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the entity.

The first two statements are entity wide financial statements and provide both long and short-term information about our overall financial status. These statements present government activities.

The remaining statements are fund financial statements, which focus on detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

Entity Wide Statements

The entity wide statements report information about the FireBoard as a whole, using accounting methods used by private companies. The statement of net assets includes all the FireBoard's assets and liabilities. The state of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity wide statements report net assets and how they have changed. Net assets are the difference between the FireBoard's assets and liabilities and this is one method to measure the FireBoard's financial health or position.

Over time increases or decreases in the FireBoard's net assets are an indicator of whether financial position is improving or deteriorating.

Fund Financial Statements

The fund financial statements provide more detailed information about the FireBoard's funds. Funds are established to account for funding and spending of specific financial resources and to show proper expenditure of those resources.

The entity has the following kind of funds:

Governmental Fund - All of the FireBoard's activities are included in one fire fund, classified in the governmental fund category. This fund is presented on the modified accrual basis, which is designed to show short-term financial information. You will note that differences between the entity wide statements and the fund statements are disclosed in the reconciling financial statements to explain the differences between them.

Financial Analysis of the Entity as a Whole

Net Assets - the FireBoard's net assets increased during the year ended March 31, 2004 totaling \$184,000, of which \$157,000 is invested in capital assets; leaving \$27,000 in unrestricted net assets. The increase in net assets relates to the purchase of capital assets. The unrestricted net assets will be used for debt service payments on the new fire truck and other operating expenses.

Financial Analysis of the FireBoard's Funds

Amendments to our budget for the year ended March 31, 2004 were to cover increased revenues provided by donations, interest, and the portion of the FEMA grant that was received. Expense increases were to cover the cost of capital outlay and debt service.

Capital Assets

Our capital assets include the equipment received from the Village of Wolverine when the FireBoard was formed, various fire operating equipment, and a new fire truck.

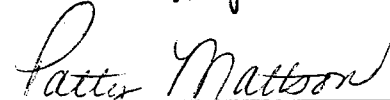
Known Factors affecting Future Operations

With the new FEMA grant cycle open we will be submitting another application for a new cab and chassis to go under the tanker. We are also looking into applying for a couple of other grants that are available locally.

Contacting FireBoard Management

This financial report is designed to provide our taxpayers and creditors with a general overview of the FireBoard's finances and to demonstrate the FireBoard's accountability for the revenues it receives. If you have questions concerning this report, please contact any member of the FireBoard.

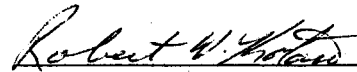

Thomas Gary, Chair


Patty Mattson, Secretary


Trish Ogden, Member


Gloria Pierson, Member


Lori Grubaugh, Member


Robert Kotar, Vice Chair


Kathy Mattson, Treasurer


Pat Hutchison, Member


Carl Edgmon, Member

**WOLVERINE JOINT FIRE BOARD
STATEMENT OF NET ASSETS
MARCH 31, 2004**

ASSETS

Current Assets:	
Cash	\$ 9,385
Investments	21,177
Prepaid Expense	750
	<hr/>
Total Current Assets	31,312
	<hr/>
Capital Assets:	
Vehicles	220,783
Fire Equipment	74,281
Accumulated Depreciation	(46,376)
	<hr/>
Total Capital Assets	248,688
	<hr/>
Total Assets	280,000
	<hr/>

LIABILITIES

Current Liabilities:	
Accrued Interest Payable	4,756
Current Portion of Capital Lease	16,415
	<hr/>
Total Current Liabilities	21,171
	<hr/>
Long-Term Debt:	
Capital Lease	74,689
	<hr/>
Total Liabilities	95,860
	<hr/>

NET ASSETS

Investment in Capital Assets, net of Related Debt	157,584
Unrestricted	26,556
	<hr/>
Total Net Assets	\$ 184,140
	<hr/>

See accompanying notes to financial statements.

**WOLVERINE JOINT FIRE BOARD
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2004**

	PROGRAM REVENUES			TOTAL	NET (EXPENSE) REVENUE AND CHANGE IN NET ASSETS
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS & CONTRI- BUTIONS		
GOVERNMENTAL ACTIVITIES					
	Fire Protection	\$ (58,204)	\$ -	\$ 17,370	\$ (40,224)
	GENERAL REVENUES				
	Township Property Tax Contributions:				
	Ellis Township				9,764
	Mentor Township				6,953
	Nunda Township				26,930
	Wilmot Township				14,393
	Interest on Investments				1,235
Miscellaneous				1,283	
	Total General Revenues				60,558
	CHANGE IN NET ASSETS				20,334
	NET ASSETS - BEGINNING OF YEAR				163,806
	NET ASSETS - END OF YEAR				184,140
					\$

See accompanying notes to financial statements.

**WOLVERINE JOINT FIRE BOARD
BALANCE SHEET
GOVERNMENTAL FUND
MARCH 31, 2004**

	FIRE OPERATIONS FUND
ASSETS	
Cash	\$ 9,385
Investments	21,177
Prepaid Expense	750
Total Assets	31,312
FUND EQUITY	
Fund Balance - Undesignated, Unreserved	30,562
Fund Balance - Reserved	750
Total Fund Equity	\$ 31,312

See accompanying notes to financial statements

**WOLVERINE JOINT FIRE BOARD
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
MARCH 31, 2004**

TOTAL FUND BALANCE - GOVERNMENTAL ACTIVITIES (PER BALANCE SHEET)	\$ 31,312
---	------------------

Amounts reported for governmental activities in the Statement of Net
Assets (page 2) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not used in the funds	295,064
Depreciation on capital assets does not represent a current outflow of resources and therefore is not recorded in the funds	(46,376)
Long-term debt and related interest expense accruals are not uses of current resources and therefore not included in the fund financial statements	(95,860)

TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES (PER STATEMENT OF NET ASSETS)	\$ 184,140
---	-------------------

See accompanying notes to financial statements.

WOLVERINE JOINT FIRE BOARD
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
FOR THE YEAR ENDED MARCH 31, 2004

	FIRE OPERATIONS FUND
REVENUES	
Township Contributions:	
Ellis Township	\$ 9,764
Mentor Township	6,953
Nunda Township	26,930
Wilmot Township	14,393
Donations	610
Interest	1,234
Federal Grant	17,370
Reimbursements	1,283
	<hr/>
Total Revenues	78,537
	<hr/>
EXPENDITURES	
Wages	533
Medical	94
Office Supplies	964
Fire Operating Supplies	644
Building and Grounds Maintenance	546
Radio Pager Repair	169
Snow Removal	200
Vehicle Repairs	851
Professional Fees	1,100
Education and Training	300
Insurance	8,895
Utilities	2,731
Telephone	718
Small equipment	4,040
Turnout gear	638
Dues and Subscriptions	65
Miscellaneous	10
Vehicle Fuel	879
Equipment	193,812
Debt Service	42,342
	<hr/>
Total Expenditures	259,531
	<hr/>
Excess (Deficiency) of Revenues over Expenditures	(180,994)
OTHER FINANCING SOURCES	
Proceeds from Issuance of Long-Term Debt	124,500
	<hr/>
Excess (Deficiency) of Revenues and Other Sources over Expenditures	(56,494)
Fund Balance - Beginning of Year	87,806
	<hr/>
Fund Balance - End of Year	\$ 31,312
	<hr/> <hr/>

See accompanying notes to financial statements

**WOLVERINE FIRE BOARD
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2004**

CHANGE IN FUND BALANCE - GOVERNMENTAL FUND	\$	(56,494)
---	-----------	-----------------

Amounts reported for governmental activities in the statement of activities
(page 3) are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays of \$195,064 exceeds depreciation of \$22,376 in the current period		172,688
---	--	---------

Governmental fund report note proceeds as revenue in the current period. However, in the statement of activities, note proceeds are recorded as long-term debt, and payments on long-term debt reduce the liability. This is the amount of note proceeds \$124,500 less principal payments of \$33,396 plus additional interest accrued of \$4,756		(95,860)
--	--	----------

CHANGE IN NET ASSETS - GOVERNMENTAL ACTIVITIES	\$	20,334
---	-----------	---------------

See accompanying notes to financial statements.

**WOLVERINE JOINT FIRE BOARD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2004**

NOTE A: ENTITY

The Wolverine Joint Fire Board is a joint venture created November 9, 1999 by Ellis, Mentor, Nunda & Wilmot Townships, Cheboygan County, Michigan. On April 1, 2000 the Village of Wolverine donated various fire department assets to the Board. The Wolverine Joint Fire Board is organized under PA 7 of 1967 and PA 365 of 1982 of the Michigan Compiled Laws. The board was organized to better serve the citizens of the townships and the Village of Wolverine. An individual township may withdraw from the agreement with a 12-month prior notice. The agreement expires April 1, 2010 and may be renewed, revised or cancelled by a separate majority vote of the townships participating at that time.

The Department is under the control of a Board consisting of two members from each Township and a member residing in the Village of Wolverine. Each township appoints two Board members and an at large member is selected from the Village of Wolverine. The Board's duties are to oversee operations, maintain assets, and communicate with the Fire Chief and their respective municipal boards.

Funding for the Fire Board's operations is largely provided by an assessment to each township approximately equal to a 1 mill levy on the taxable value of the geographical area covered. The Joint Fire Board's boundaries include all of Wilmot and Nunda Townships and parts of Mentor & Ellis Townships.

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting framework and the more significant accounting principles and practices of the Wolverine Fire Board are discussed in subsequent sections of this Note. The remainder of the Notes are organized to provide including required disclosures, of the Fire Board's financial activities.

The accounting policies of the Wolverine Fire Board conform to the generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

On April 1, 2002, the Wolverine Fire Board adopted the new governmental reporting model and implemented Governmental Accounting Standards Board (GASB) Statement No. 34 "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments" and Statement No. 38 "Certain Financial Statement Note Disclosures".

Under the provisions of GASB Statements No. 34 and 38, the focus of the Fire Board's financial statements has shifted from a fund focus to a government-wide focus.

**WOLVERINE JOINT FIRE BOARD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2004**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT PRESENTATION

Government-Wide Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the Fire Board as a whole.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. The Fire Board has one fund and one functional activity – fire protection. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the Fire Board's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements are provided for the Fire Board's governmental fund.

The measurement focus and basis of accounting for the government-wide and fund financial statements are described in a subsequent section of this note.

FUND TYPE AND MAJOR FUND

Governmental Fund

The Fire Board reports the following major governmental fund:

Fire Fund - This fund is used to account for all financial transactions of the Wolverine Joint Fire Board. The Fire Board's primary source of revenue is from Township assessments "earmarked" for fire protection. These assessments are received from all Townships in April of each year. Interest is earned on cash investments. Other revenues are from miscellaneous activities/sources.

**WOLVERINE JOINT FIRE BOARD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2004**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The financial statements of the Fire Board are prepared in accordance with generally accepted accounting principles (GAAP). The Fire Board's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Fire Board's entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

Government-Wide Financial Statements

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting. Reimbursements are reported as reductions to expenses. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental Fund Financial Statements

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Fire Board considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include: property taxes and investment income. In general, other revenues are recognized when cash is received.

**WOLVERINE JOINT FIRE BOARD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2004**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BUDGET

An annual budget is required of the Wolverine Joint Fire Board. The budget is open to the public for their consideration before final adoption. The Townships also individually review and approve the budget. Upon completion of the public hearing, The budget was adopted on a fund level using the modified accrual basis of accounting. The budget was amended as necessary throughout the year. Both the original and amended budgets are presented in these financial statements, as a part of required supplementary information. Budgets as adopted end on March 31st of each year. There are no carryover budget items.

Public Act 621 of 1978 as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated. Overexpenditures of \$137,704 were noted for the year ended March 31, 2004.

ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

RESTRICTED RESOURCES

When an expense is incurred for purposes for which both restricted and unrestricted net assets available, the Fire Board first uses restricted net assets to fund the expense and once depleted, uses unrestricted net assets to fund the remaining expense.

CAPITAL ASSETS AND DEPRECIATION

The Fire Board's property, plant, and equipment with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. The Fire Board has no infrastructure assets. Donated assets are stated at fair value on the date donated. The Fire Board generally capitalizes assets with cost of \$1,000 or more as purchase and construction outlays occur, if:

1. the estimated life of the assets is extended by more than 25% or
2. the cost results in an increase in the capacity of the asset, or
3. the efficiency of the asset is increased by more than 10%, or

**WOLVERINE JOINT FIRE BOARD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2004**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CAPITAL ASSETS AND DEPRECIATION (CONTINUED)

4. significantly changes the character of the asset, or
5. otherwise, the cost should be expensed as repair and maintenance.

Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings and Improvements	25 – 40
Land Improvements	10 – 20
Furniture, machinery, and equipment	5 – 10
Vehicles	5 – 10

Land and construction in progress are not depreciated.

For information describing capital assets, see Note F.

LONG-TERM DEBT, DEFERRED DEBT EXPENSE, AND BOND DISCOUNTS/PREMIUMS

In the government-wide financial statements, outstanding debt is reported as liabilities. Bond issuance costs, bond discounts or premiums, and the difference between the reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effect of interest method.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

NOTE C: CUSTODY OF ASSETS

All assets are under the control of the Joint Fire Board. If a township withdraws from the agreement it forfeits all acquired assets of the Joint Fire Board. If the Board is dissolved, its assets shall become the property of the Volunteer Fire Department. If the Volunteer Fire Department dissolves, the assets shall be liquidated and the proceeds divided among the participating Township's based on the average percent of contribution in the previous three years.

**WOLVERINE JOINT FIRE BOARD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2004**

NOTE D: CASH/INVESTMENTS

Cash is maintained in a financial institution in the Wolverine, Michigan area and consists of an interest bearing checking and savings account.

The Fire board's investments at March 31, 2004 consist of a certificate of deposit maintained in a local financial institution.

Cash/Investments are insured by the FDIC up to \$100,000. Cash in excess of FDIC limits is not insured or collateralized. At March 31, 2004, the Fire Board had deposits with a total bank balance of \$30,562 and a book balance of \$30,562. The entire bank balance was insured by the FDIC at March 31, 2004.

Statutory Authority

Act 217, PA 1982, authorizes the Department to deposit and invest in:

- (a) bonds and other direct obligations of the United States or its agencies
- (b) certificates of deposit, savings accounts, deposit accounts, or depository receipts of federally insured banks, insured savings and loan associations or credit unions insured by the national credit union administration that are eligible to be depository of surplus money belonging to the State under section 5 or 6 of Act 105, PA 1855, as amended
- (c) Commercial paper rated at time of purchase within the three highest classifications established by not less than two standard rating services. Maturity cannot be more than 270 days after purchase and not more than 50 percent of any fund may be invested in commercial paper at any time
- (d) United States Government or Federal Agency obligation repurchase agreements
- (e) banker's acceptance of United States banks
- (f) Mutual funds composed of investments which are legal for direct investments by local units of government in Michigan

The Board's cash and investments are in accordance with statutory authority.

NOTE E: PREPAID EXPENSE

As of March 31, 2004, the Fire Board recognized prepaid expense of \$750, related to workers' compensation insurance.

**WOLVERINE JOINT FIRE BOARD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2004**

NOTE F: CAPITAL ASSETS AND DEPRECIATION

The following table provides a summary of changes in capital assets:

	<u>BALANCE</u> <u>APRIL 1, 2003</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>MARCH 31, 2004</u>
CAPITAL ASSETS, DEPRECIATED				
Fire Equipment	\$ 55,000	\$ 19,281	\$ -	\$ 74,281
Vehicles	<u>40,000</u>	<u>175,783</u>	<u>-</u>	<u>215,783</u>
Total	95,000	195,064	-	290,064
CAPITAL ASSETS, NOT DEPRECIATED				
Vehicles	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>5,000</u>
Total Capital Assets	<u>\$100,000</u>	<u>\$195,064</u>	<u>\$ -</u>	<u>\$ 295,064</u>
Accumulated Dep.	<u>(24,000)</u>	<u>(22,376)</u>	<u>-</u>	<u>(46,376)</u>
Total Capital Assets, Net of Accumulated Dep.	<u>\$ 76,000</u>	<u>\$ 172,688</u>	<u>\$ -</u>	<u>\$ 248,688</u>

NOTE G: CAPITAL LEASE

The Fire Board acquired a 2002 pumper fire truck for \$174,500. The Fire Board paid an initial down payment of \$50,000 and financed the remaining \$124,500 through a capital lease agreement. The lease payments are due as follows:

<u>ORIGINAL AMOUNT</u>	<u>INTEREST RATE</u>	<u>DUE DATE</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
\$ 124,500	5.22%	1/15/05	\$ 16,415	\$ 4,756	\$ 21,171
		1/15/06	17,272	3,899	21,171
		1/15/07	18,174	2,997	21,171
		1/15/08	19,122	2,049	21,171
		1/15/09	<u>20,121</u>	<u>1,050</u>	<u>21,171</u>
Total			<u>\$ 91,104</u>	<u>\$ 14,751</u>	<u>\$105,855</u>

Accrued interest at March 31, 2004 totaled \$4,756.

**WOLVERINE JOINT FIRE BOARD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2004**

NOTE H: INSURANCE COVERAGES

The Board is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. The Board pays annual premiums for the respective insurance coverage. There were no significant changes in coverage, nor were there any significant claims for the year.

NOTE I: LEASE

The board leases the fire hall from the Village of Wolverine. the lease requires normal maintenance of the facility and payment of all repairs and utilities. Annual cost of the lease is equal to the insurance cost of the building. Either party with 180 days notice may terminate the lease. Future lease costs associated with this agreement are not determinable.

NOTE J: CONTINGENCY

The Fire Board was awarded a grant from the Federal Emergency Management Agency (FEMA), under the "Assistance to Firefighters Grant Program for Fire Operations and Firefighter Safety". The total approved project cost amounted to \$74,300 of which 90% (\$66,870) is the federal share and 10% (\$7,430) is the Fire Board's share.

During the year ended March 31, 2004, the Fire Board purchased \$19,280 of equipment related to the grant and was reimbursed \$17,370 of federal monies, which represents the final grant receipts.

The FEMA grant monies are subject to audit by the grantor. Upon audit, some expenditures may be disallowed and as a result, those amounts may be refundable. Such refunds, if any, are generally payable from the Fire Board's unrestricted fund balance. The Fire Board feels that any potential disallowances if any, are immaterial.

WOLVERINE JOINT FIRE BOARD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2004

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE FROM FINAL AMENDED BUDGET
REVENUES				
Township Contributions:				
Ellis Township	\$ 9,764	\$ 9,764	\$ 9,764	\$ -
Mentor Township	6,953	6,953	6,953	-
Nunda Township	26,930	26,930	26,930	-
Wilmot Township	14,393	14,393	14,393	-
Donations	-	610	610	-
Interest	500	1,200	1,234	34
Governmental Grants	-	17,370	17,370	-
Reimbursements	-	1,280	1,283	3
Total Revenues	58,540	78,500	78,537	37
EXPENDITURES				
Wages	1,000	1,000	533	467
Medical	500	100	94	6
Office Supplies	500	1,000	964	36
Cleaning Supplies	100	100	-	100
Fire Operating Supplies	1,500	1,300	644	656
Building and Grounds Maintenance	400	555	546	9
Radio Pager Repair	1,000	500	169	331
Other Repairs	2,360	2,360	-	2,360
Snow Removal	250	250	200	50
Vehicle Repairs	2,000	1,000	851	149
Professional Fees	1,300	1,100	1,100	-
Education and Training	3,000	500	300	200
Insurance	7,500	8,900	8,895	5
Utilities	3,000	3,000	2,311	689
Internet	250	420	420	-
Telephone	1,000	1,000	718	282
Small Equipment	2,000	4,050	4,040	10
Turnout Gear	4,000	2,500	638	1,862
Dues and Subscriptions	200	200	65	135
Miscellaneous	500	500	10	490
Vehicle Fuel	1,000	1,000	879	121
Equipment	4,000	69,312	193,812	(124,500)
Truck Payment	21,180	21,180	42,342	(21,162)
Total Expenditures	58,540	121,827	259,531	(137,704)
Excess (Deficiency) of Revenues over Expenditures	-	(43,327)	(180,994)	(137,667)
OTHER FINANCING SOURCES				
Note Proceeds	-	-	124,500	124,500
Excess (Deficiency) of Revenues and Other Sources over Expenditures	-	(43,327)	(56,494)	(13,167)
Fund Balance - Beginning of Year	87,806	87,806	87,806	-
Fund Balance - End of Year	\$ 87,806	\$ 44,479	\$ 31,312	\$ (13,167)